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Farrell, James Augustine

Export trade, interview with James A. Farrell

[New York]

[1914]

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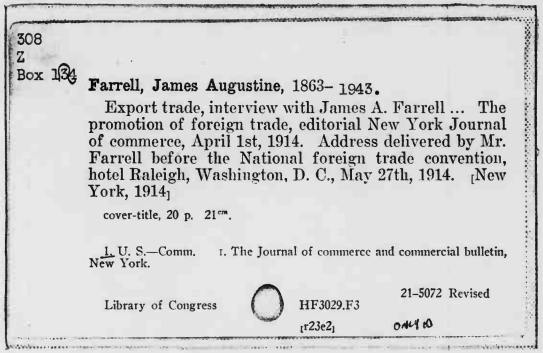

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Farrell, James Augustine, 1863– 1943.

Export trade, interview with James A. Farrell ... The promotion of foreign trade, editorial New York Journal of commerce, April 1st, 1914. Address delivered by Mr. Farrell before the National foreign trade convention, hotel Raleigh, Washington, D. C., May 27th, 1914. [New York, 1914]

cover-title, 20 p. 21cm.

1. U. S.—Comm. 1. The Journal of commerce and commercial bulletin, New York.

Library of Congress HF3029.F3 21-5072 Revised
[r23e2] only 10

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TECHNICAL MICROFORM DATA

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EXPORT TRADE

Interview with
James A. Farrell, President
United States Steel Corporation

THE PROMOTION OF FOREIGN TRADE
Editorial
New York Journal of Commerce, April 1st, 1914

ADDRESS DELIVERED BY MR. FARRELL
Before The
National Foreign Trade Convention
Hotel Raleigh, Washington, D. C.
May 27th, 1914

Export Trade

Interview With

Mr. James A. Farrell

President United States Steel Corporation

[*The Journal of Commerce,* April 1, 1914]

A movement is on foot to assemble in Washington, probably in May, a convention composed of representatives of the financial, commercial and industrial activities of the country which have a direct interest in the promotion and expansion of foreign trade. The prompting of this movement has come from the members of the American Manufacturers' Export Association, of the American Asiatic Association, and to a lesser extent from those of the Pan-American Society. It has commanded the warm approval and support of the heads of some of the largest industrial corporations in the country, and Mr. James A. Farrell, of the United States Steel Corporation, is heartily in favor of it. Mr. Farrell, like others engaged in large industrial operations, is profoundly impressed with the necessity of having a better understanding between both the executive and legislative branches of the Government on the one hand, and the business men of the country on the other. There is a group of questions bearing on this subject to which Mr. Farrell has devoted somewhat close attention, as a representative of *The Journal of Commerce* learned in the course of a very interesting interview.

The Sherman Law and Export Trade.

The president of the Steel Corporation was asked whether he thought such a convention as that which it is proposed to hold in Washington might properly discuss the application of the Sherman law to combinations of manufacturers engaged in cultivating an export trade.

His reply was: "The present supposed interpretation of the Sherman law as being applicable to the foreign trade as well as to the domestic necessarily causes considerable doubt and confusion in the minds of American manufacturers as to what extent they would be permitted to co-operate or to associate themselves with other domestic manufacturers for the economic distribution of their products, as is customary among foreign manufacturers. It is obvious that the proper exploitation of foreign markets is not only a matter of national importance, but one of great expense to those carrying on the business, occasioned either through the opening of branch offices, the appointment of agents, or sending special representatives, and only those manufacturers whose products are greatly diversified and who have sufficient capital to risk in such ventures, can undertake the business on a large scale in respect to the staple commodities similar to those manufactured by their foreign competitors.

What German Manufacturers Do.

"This statement, of course, does not include manufacturers of patented or other special articles which are of peculiarly American origin and which can be sold on a remunerative basis without coming into active competition with staple products of foreign manufacture, and it should be borne in mind that any great expansion of our foreign trade as far as volume is concerned must necessarily be in everyday articles of consumption in which Europe holds a commanding position in the world's markets. When it is considered that some 30,000 firms in Germany are banded together in an association formed largely for the acquisition of foreign trade, and that they are assisted both directly and indirectly by Government aid, and that they are permitted to establish syndicates of a co-operative character and distribute orders to plants which are either best situated geographically or best fitted to manufacture economically, it is important that any restrictions under which American manufacturers and producers are now laboring in this respect shall be removed or modified if we are to compete successfully with foreign manufacturers. It ought to be made permissible for manufacturers of similar lines of goods to combine to the extent of seeking orders abroad and distributing such orders to mills in the best position to handle them. As such orders accrue

to the benefit of the American workman and to the economic position of the country, it is difficult to understand why there should be any objection to their being secured by taking advantage of the lowest costs at plants which are most capable of undertaking export trade. For example, a number of manufacturers could send a joint representative to exploit foreign markets or could open a joint foreign office at an expense which would be impossible for any single one to bear. Such representative could seek orders to be allocated to the mills capable of manufacturing them most cheaply or satisfactorily, and the cost of maintaining offices, cables, traveling expenses, etc., would be reduced to a minimum."

The Consular Service.

How do you regard the consular service as an aid to the promotion of our foreign trade? was another question asked of Mr. Farrell, to which he made this reply: "Our consular service has reached a remarkably high state of efficiency in co-operating with American manufacturers and producers who are interested in securing foreign markets for their products and thereby extending and developing the peaceful commercial relations and prosperity of our country. The able men who now adorn this service, carrying the message of American enterprise and industry to the uttermost corners of the globe, and our Department of Commerce, the medium through which information relating to foreign trade opportunities is laid before us, should have the hearty co-operation and support not only of the American manufacturer and producer, but of every American citizen having the smallest modicum of pride in his country or interest in the extension of its commerce and prestige among the nations of the world.

"There is no policy which the Secretary of Commerce has advocated during his administration which is of more importance to American manufacturers seeking export trade than that covered by his recommendation to Congress to supplement and improve the consular service by the appointment of a number of commercial attaches in the principal capitals of the world. I hope that the Secretary's recommendation to Congress will be approved and have no doubt that the type of men selected will be such as will commend them to the favorable consideration of the business element in the foreign countries to which they are accredited. It is

further hoped that the compensation of these representatives will be adequate to command an experienced class of business men to undertake these missions. In order that the Government may be assured of the interest which American exporters are taking in this policy, it is quite certain that were it regarded as proper and permissible the associations interested in foreign trade would, through their membership, undertake to defray any proportion of additional remuneration which might be necessary to obtain the best qualified type of representative. We regard the necessity of obtaining such class of men to represent this country abroad commercially as important to the business interests of this country as the appointment of suitable ambassadors and ministers is to our diplomatic prestige.

"The United States has in recent years been represented abroad through its consular service by a class of men who have won commendation for their devotion to their duties, and, generally speaking, the American consular service has been looked upon abroad as typifying the highest class of such service throughout the world. The commercial attaches to be chosen will undoubtedly possess the necessary capabilities, and it is to be hoped that the amount of remuneration which it is proposed to be offered will attract a suitable class of men.

"It is further suggested that these men should be afforded the opportunity of meeting personally the principals of the various business organizations of this country, to make any inquiries that they may desire as to our country's export trade and methods of expanding it, prior to taking up their foreign positions. Moreover, opportunities should be afforded them to visit the various plants, mills and workshops now engaged in the export trade, as well as those industries which expect to engage in it, with the object of giving these commercial attaches as thorough an education as is possible in the limited time available in the principal lines with which it would be desirable for them to be conversant in their foreign missions. It is, of course, presumed that the study and reports of these gentlemen in their foreign posts would be with respect to those products which, having regard to present duties and consumption of materials, it is possible for American manufacturers to make competitively, and to do

this intelligently it is obvious that it is necessary for these commercial representatives to study in advance the manufactures and products of this country which are capable of being introduced and sold to a large extent abroad.

"Largely by reason of the stimulus Secretary Redfield has given to the development of foreign trade through the excellent work which is being carried on by the Department of Commerce, American business men are studying foreign markets as a basis for increasing their trade opportunities. There is probably no American manufacturer who has been engaged in export business for any length of time who does not recognize the futility of many of the attempts to increase American trade. American manufacturers will, doubtless, learn by experience how to adapt their goods and find markets for them in foreign countries. It is only through persistent and well directed efforts that success will be achieved, but they will learn more quickly if placed in an intelligent position as to the requirements in various countries as a result of the information made available through the reports of trade emissaries."

Government Recognition.

Continuing in the same vein of reflection, Mr. Farrell took occasion to say: "The official recognition by our Government of joint associations, such as the American Manufacturers' Export Association, the Pan-American Society, the American-Asiatic Association, and properly established chambers of commerce, is a question that calls for thoughtful consideration and solution. In many European countries such organizations have a certain official or semi-official standing. The representatives of these associations are officially recognized and freely consulted by the Government authorities in their respective countries on all matters pertaining to trade and commerce and other related subjects, and in this way wise and just laws and regulations are established for the benefit of all the people. It would be a most desirable thing to have such a policy adopted in this country whereby a consensus of opinion and a full and free exchange of views, might be obtained by Government authorities and business men, manufacturers and producers on questions relating to the domestic and foreign commerce and trade relations of all classes of industrial enterprise.

"Government recognition of such organizations would also enable the Department of Commerce and other departments of the Government to secure the co-operation of highly specialized experts in many diversified lines of industrial activity, such as transportation, mining, manufactures and agriculture, thus securing the best thought and knowledge in the solution of problems relating to the welfare of our country and its people. Such recognition would also assist materially in advancing the policy tentatively proposed by this Government when our present tariff was being discussed in Congress with respect to the inspection of books or records of foreign manufacturers to guard against the dumping of foreign products into this country to the detriment of our industries and our workmen and the overturn of the high standard of wages and of living now enjoyed by the American people."

Question of Reciprocity.

Does it appear to you that the usefulness of reciprocity trade agreements has been sufficiently appreciated by our exporters and manufacturers? was the next question addressed to Mr. Farrell, and this was his answer: "There are a large number of countries, principally those which are colonies of the United Kingdom or other European nations, at present discriminating against American manufacturers in favor of those of their mother countries, and it is important that serious consideration should be given to the problem of reciprocity trade agreements and that there should be constant conference between associations of American manufacturers and the Department of Commerce at Washington in regard to such discrimination. Continual effort is being made by European countries to induce further preferential consideration of the products of their countries, not only in their colonies, but in other markets, and while it is presumed that the United States consular representatives and the commercial attaches if appointed would devote particular attention to these questions, it is believed that American manufacturers can themselves with propriety take up these matters with the Department of Commerce in Washington with a view to having present discriminations abated and future discriminations obviated or lessened. In this connection special attention and study should be given to the possibilities of trade opportunity and development where there is a marked disparity in the imports to the United States and the exports from the United States to certain countries, as, for example, many of the countries of South America. It is suggested that reciprocity or other trade conventions should be actively considered with a view to obtaining all the preferential consideration possible, having regard to the fact that European countries do not hesitate to obtain all such preference. As America has no 'colonial' interests, save in Porto Rico, Hawaii and the Philippines, little can be done to offset the restraint of American trade through the medium of discriminatory tariffs, except by obtaining preference from those countries to which we are logically entitled to look for preference because of the enormous disparity between our purchases from them and theirs from us. Precedents for such action are found in the preferential tariff of Cuba, and to a slight extent of Brazil, in favor of the United States, while the discrimination against the United States is especially marked in the cases of Canada, South Africa, Australia and New Zealand, and the German, French and Belgian colonies."

Considering the amount of doubt and diffidence which exists in the minds of American exporters as to how much assistance they can expect from their Government in supporting American bankers in the underwriting of foreign loans, don't you think it well that some representation should be made to the Administration on this subject? Mr. Farrell was asked. He said in reply: "Experience has demonstrated that the bulk of the present export business of England, Germany and Belgium in manufactured commodities is due directly or indirectly to their investment of capital in foreign enterprises. A common experience of American manufacturers seeking foreign trade is to be informed that the business is confined exclusively to English or European manufacturers, for the reason that capital for the enterprises requiring material in question was provided from those countries. Even in many cases where impartial treatment is supposed to be accorded to the manufacturers of all countries, it has frequently been found that specifications for materials are so drawn as to permit only the manufacturers of one country successfully to compete. This obstacle to trade development can only be overcome by our Government giving its approval and support to American

bankers to participate in foreign loans or to underwrite foreign enterprises of a legitimate character, so that orders for material accruing therefrom may come to American manufacturers. Not only do orders result from these loans, but the financial participation of banking interests in foreign countries invariably develops a community of interest which redounds to the benefit of the country concerned in many other lines than those which directly participate in the orders resulting from the loans. Other collateral results are the possible formation of branches of American banks to do business in the countries in which they locate and the initiation of new steamship lines."

Cheapening Transportation by Co-Operation

As the representative of *The Journal of Commerce* was about to depart, Mr. Farrell interposed with the remark: "I should like to say something about the co-operation which seems to me possible among American manufacturers for the purpose of cheapening the transportation of their products both by sea and land. Having regard to the generally conceded advantages of the coalition of American manufacturers in associations formed for the purpose of promoting export trade, it should be deemed consistent with the present interpretation of our laws if the members of these associations should combine their freight in order to influence freight rates whenever it might appear that discrimination was being exerted against American manufacturers. It should also be deemed permissible for any number of these manufacturers to appoint a common freight agent to handle their products at seaboard, so as to be assured of the proper handling of their goods from railway into steamer and to be kept jointly informed of freight rates in order to obviate discrimination."

But if joint efforts of this character be regarded as permissible, what other forms of co-operation do you think might be considered proper under the present interpretation of the laws, or would it be desirable for the laws to be amended so as to promote additional co-operation? To this Mr. Farrell made answer: "It has been found that those American manufacturers able to command a large volume of freight can generally assure themselves of equality of treatment through equitable and impar-

tial foreign freight rates, as the steamship companies are under such conditions unable and unwilling to discriminate in favor of European shippers on account of the volume of tonnage involved. It is conceded, of course, that the freight rates on products similar to those shipped by such large exporters are invariably as low to the smaller exporters of similar lines, but the problem is largely one of facilitating the operations of smaller manufacturers throughout the country who by themselves are not able to charter steamers when necessary, nor put a volume of freight on the market which justifies it being handled at the lowest rates or rates equivalent to those obtaining from Europe.

"It is the policy of our railroads to promulgate special export freight rates whenever the advisibility of necessity of such rates has been established, and this well-settled policy has been recognized and approved by the Interstate Commerce Commission.

"(1) By special rates on the direct export shipment of a great variety of commodities.

"(2) By special allowance on certain classes of commodities which enter into the manufacture of articles which are subsequently exported.

"The policy of the railroads in this respect is further supported by the well-established policy of our Government in allowing or paying a drawback of the duty paid on imported materials which enter into or form a part of products of American manufacture exported. The policy of our Government with respect to drawback allowance of the duty paid on imported materials is also constantly emulated and followed by a great many American manufacturers and producers of semi-finished products who make special export allowances on material sold to other manufacturers upon the submission of satisfactory proof by the latter of the export of more highly finished products made from such raw or semi-finished materials. This practice of export allowance is based upon the principle that an export business in all classes of commodities should be encouraged with a view to enlarging the volume of our export trade and thus creating a basis for an exchange of values upon which our country's commerce with foreign countries is based.

"Practical manufacturers and business men in their endeavors to obtain a foothold in foreign markets are obliged to meet the competition of manufacturers and exporters in other countries engaged in similar industries. It has been learned by long experience in many lines that small concessions to manufacturers of finished products, in the prices paid for the raw materials used, have been of material assistance in enabling many American industries to find outlets in foreign markets that had never been exploited by them before. The policy of our railroads and our leading manufacturing interests in these matters has been of enormous benefit to all American manufacturers, and, as it is in harmony with our Government's drawback policy, it is worthy of careful study so that the greatest possible benefit may be obtained through its consistent and practical application."

For the Promotion of Foreign Trade.

[Editorial, *Journal of Commerce,* April 1, 1914]

The interview with the president of the Steel Corporation published in these columns presents for discussion a number of questions whose importance is sensibly enhanced by the position occupied by the man who propounds them. The judgment of Mr. James A. Farrell, in regard to the methods of expanding the export trade of the country in manufactured products, carries with it much authority, and the conclusions stated in this interview are the result of careful consideration as well as of applied experience. They certainly supply material worth the attention of such an assemblage of delegates representing the great productive activities of the country interested in the promotion of foreign trade as three of our leading commercial organizations propose to bring together in Washington. Such a gathering ought to serve the double purpose of informing Congress as to the estimate formed by American manufacturers of the merits of pending legislation affecting their interests, and of making plain to the Administration how its attitude toward American enterprise abroad is regarded by those whom it most directly and vitally affects. On the other hand, it seems possible that business men may have read into the inhibitions of the Sherman act, for example, a good deal more than the Department of Justice is likely to demand or the courts to sustain. Such a convention as has been planned could be made to furnish occasion for a free interchange of views on this subject, and would probably be the means of allaying a good deal of the distrust that has insensibly arisen in regard to what business may expect from the actual working out of the President's policy. It cannot be said that this distrust is reflected in anything said by Mr. Farrell, but there runs a note of interrogation through his talk to the representative of *The Journal of Commerce,* which suggests at least a considerable amount of doubt as to the course which business men may safely pursue in their endeavor to meet better organized competition than their own in the markets of the world. It is manifestly a handicap on the efforts of American merchants and manufacturers in pushing their trade abroad that any such doubt should exist, and a definite statement of the grounds on which it is based is a necessary step toward its removal.

A concrete example of the relatively inferior position occupied by American business in pushing the sale of our products in foreign markets is supplied by Mr. Farrell in the following statement: "When it is considered that some thirty thousand firms in Germany are banded together in associations formed largely for the acquisition of foreign trade, and that they are assisted both directly and indirectly by Government aid, and that they are permitted to establish syndicates of a co-operative character and distribute orders to plants which are either best situated geographically or best fitted to manufacture economically, it is important that any restrictions under which American manufacturers and producers are now laboring in this respect shall be removed or modified if we are to compete successfully with foreign manufacturers." Mr. Farrell's idea, therefore, is that it ought to be made permissible for manufacturers of similar lines of goods to combine to the extent of seeking orders abroad and distributing such orders to mills in the best position to handle them. That is to say, a number of manufacturers could send a joint representative to exploit foreign markets or could open a joint foreign office at an expense which would be impossible for any single one to bear. Such representative could seek orders which would be allotted to the mills capable of manufacturing them most cheaply or satisfactorily, and the cost of maintaining offices with all their incidental expenses would thus be reduced to a minimum. This is a significant suggestion to come from the head of a corporation to which the form of organization here outlined is at least within reach, while to smaller manufacturers it would be practically impossible. It is substantially an offer of co-operation whose benefits would be shared by big and little alike, and in which the interests of the lesser units of production could be as carefully guarded as those of the greater. Nor is there less appreciation of the common interests of all manufacturers, whatever the scale of their operations, in the suggestion that a number of those in the same line should combine their shipments in order to influence freight rates whenever it might appear that discrimination was being exerted against the small shipper. Mr. Farrell is broad-minded enough to recognize the importance of facilitating the operations of smaller manufacturers throughout the country who by themselves are not able to charter steamers when necessary, nor to put a volume of freight on the market which justifies its being handled at the lowest rates.

The promoters of the proposed convention on foreign trade are naturally earnest supporters of the efforts of Secretary Redfield to supplement the consular service by the appointment of a number of commercial attaches in the principal capitals of the world. So important a matter is this deemed by Mr. Farrell that he considers it quite certain that, were it regarded as proper and permissible, the great commercial organizations of the country would, through their membership, undertake to defray any proportion of additional remuneration which might be necessary to obtain the best qualified type of men for this purpose. He further suggests, with obvious reason, that before proceeding to their posts these commercial attaches should be afforded the opportunity of meeting personally the principals of the representative business organizations of the country; that they should be enabled to visit the various plants, mills and workshops now engaged in the export trade, so that they might acquire as thorough an education as is possible to fit them to judge of the lines of merchandise whose sale can be most readily expanded in foreign markets. There can be no question about the futility of many of the attempts which have been made so far to increase American foreign trade. But these recommendations of Mr. Farrell, including his suggestions as to the making of reciprocal trade agreements, and the backing of financial enterprise by the requisite amount of Government support, have at least the merit of being those of a thoroughly practical man with a very wide experience of the kind of opposition which our trade has to encounter in competition with that of the other great industrial nations of the world.

Address Delivered by Mr. James A. Farrell

President of the United States Steel Corporation.

Mr. Chairman and Delegates, National Foreign Trade Convention:

This assemblage of representative business men of the United States is held with the highest purpose. Many of you are devoting your best efforts to the extension of closer commercial relations between the United States of America and other nations. Representing, as you do, varied business interests in the United States concerned in foreign trade, whose efforts lie in the direction of bringing about a more important position for our country in the markets of the world, this first national Convention should become a landmark in the progress of American commerce.

By gathering and concentrating at this National Foreign Trade Convention, the opinions of many of the leading men in commercial affairs in our country, it is hoped to further develop foreign trade opportunities and to suggest ways and means to expand the foreign commerce of the United States, since there is no issue of more vital importance to the welfare of American industrial enterprise and labor than stimulation of our commerce abroad, as it is a recognized fact that extensive trade overseas tends to stabilize industry, by ensuring to manufacturers and producers a larger sphere of activity.

We are here to discuss along broad lines the fundamental condition of trade in the United States because it is impossible to successfully exploit the foreign markets unless our domestic production is on a suitable scale to make foreign exploitation possible. In considering these domestic conditions it is important that, having regard to the vast area and resources of our country, we should determine what present trade conditions are in each section of this country, in what respects they may be improved, and what measures may be taken to strengthen the sinews of our domestic commerce that we may become more potent factors in seeking oversea markets. Every business house, every firm, whether in trade or in the professions, every chamber of commerce, board of trade and commercial organization—in fact, every man, woman and child in these United States has a vital personal interest in the furthering of our export

trade. It has yearly assumed a more important position among the factors which determine the material welfare of this country. It annually becomes more impressive in its function as a balance wheel to our constantly recurring periods of trade prosperity and depression.

The progress of American manufacturers in export trade is encouraging, and has been made in the face of many seemingly insurmountable difficulties. The development of the vast natural resources of this country has heretofore taxed the ingenuity and resourcefulness of our manufacturers in supplying the requirements of the home market. The great strides which we have made as a manufacturing nation are causing us to look beyond our borders to find markets for our surplus manufactures, just as we found such markets in former years for our surplus foodstuffs and crude material.

The United States exported during the calendar year of 1913, $2,484,000,000 in value and imported $1,793,000,000, showing an excess of exports over imports of $691,000,000. The annual increment of such vast sums as those represented by our yearly balance of trade in recent years must increase the prosperity of our country, irrespective of how this balance of trade must be expended. If we consider that, in the production or manufacture of two and one-half billion dollars of exports annually, there is probably engaged in its production from its origin in the soil, or the farm, or the mines, and through all the subsequent processes of manufacture and preparation and finishing up to its shipment, eighty per cent. of the value of the materials for in the final analysis the bulk of the cost of all manufactures or production is the labor, the wages which are paid in the production and distribution of the two and one-half billion dollars of exports amount to approximately two billion dollars annually, and it may, therefore, be reasonably assumed that this involves the employment of two million men in the manufacture or production of exports. There is, therefore, engaged, directly or indirectly, in the production or manufacture of material ultimately destined for the foreign trade, about one out of every ten men in this country.

Considering that the two and one-half billion dollars of exports involves millions of tons of freight, the revenue from same is of material importance to the successful operation of the railways.

Let us also consider, as has been brought out in the papers submitted, that our oversea trade and the thousands of steamers employed therein is wholly dependent on this commerce, and it will be patent that, not only is the export trade of vital importance to the railways, steamship lines and the multitude of industrial enterprises affected collaterally and that, aside from the domestic trade of the country, there is no factor which is so much involved in its material prosperity as the export trade, but that, due to its great significance with respect to the economic conditions of our financial relations with the markets of the world, the export trade is likewise a vital factor in international affairs.

The average excess of exports over imports of this country during 1913 was about fifty million dollars per month. During the early part of this year, this excess has fallen off to but twenty-four million in February and only five million in March, while in April returns show an excess of imports over exports of ten million dollars in value. This important development alone demands serious consideration.

The nations of the world are no longer, as in earlier times, so largely concerned with military aggrandizement as with commercial prestige. The contest to-day is for supremacy in the trade of the world's markets, because that country which is a commercial power is also a power in other respects. Of our two and one-half billion dollars of exports, manufactured goods amounted to one and one-half billion, of which over one-half, or 778 million dollars in value, consisted of fully finished manufactures. Forty per cent. of this, or approximately 305 million dollars in value, were manufactures of iron and steel. In 1880, agricultural products formed 84 per cent. of our total exports, in 1913, 46 per cent., in 1880, manufactures formed 15 per cent. of our exports, in 1913, 49 per cent. It is apparent that we are yearly requiring for our own consumption an increased percentage of the foodstuffs and raw materials heretofore produced and exported and that we must in future rely more on exports of manufactures if we are to maintain not only the favorable balance of trade, but a relative position in the world's markets and in the family of nations. It is, therefore, in the final analysis, not only essential that we should increase and stimulate by every proper means

our export trade to enhance our country's prestige and wealth, but this is rapidly becoming a necessity in order that the domestic consumption of the country which is recurringly insufficient to absorb the capacity of our plants, mills, workshops, and other avenues of production, should be supplemented by the export trade.

The large industries in our country have for many years been building up their trade in foreign markets in an energetic manner along intelligent lines, and may be said to be the advance agents of American trade in all parts of the world. Smaller producers are reaping the advantage of this pioneer work through the better acquaintance of foreign consumers with American products and methods and, speaking of the Iron and Steel industry, the growth of its exports has been an increasing factor in the development of the trade of many collateral products.

The larger exporting interests consider that any increase, or expansion of our foreign trade is a common growth and a common prosperity, irrespective of the class of goods, the size of the industry, the locality from which the business originates, or the port of clearance from which the products are shipped.

The expansion of export trade on the part of European countries has largely been due to the co-operation between the various commercial organizations for the promotion of trade relations with individual countries; the development of commercial organizations in Germany has done much to mold the economic position of that country. Over six hundred national commercial organizations, with five thousand auxiliary branches, indicate the scope and activity which such a multiplicity of ramifications bear to the results obtained by concentrated effort.

In the export field, three of the parent organizations, with a membership of over 30,000 firms, exert their combined influence in fostering the export trade of Germany. What is true of Germany in this respect is also true of England, France, Belgium, Austro-Hungary, and other European nations.

There is a popular misconception that the paramount factors in the export trade of foreign countries are due to their financial ramifications

and shipping facilities; but the striking annual increase of our country's trade with foreign nations reflects the results of adapting our products to the requirements of oversea markets, of painstaking efforts and enterprise in competing with older manufacturing countries; of the knowledge our banking and manufacturing institutions are acquiring with respect to foreign opportunities; of the assistance that is being given by the Government and its consular representatives; of the increased efficiency of the productive establishments of this country, and the capacity of their officials for organization and commercial development.

The difficulties in conducting an export business are not insuperable and the American manufacturer will continue to concentrate his efforts on process, cost of production, and adaptability of manufacturing to the requirements of the markets, as well as to the offering of wares of peculiarly American origin and ingenuity. By their use of special machinery, their extraordinary facility of invention, experiment and improvements, American manufacturers are participating to a large extent in the area of expansion in foreign commerce.

The important increase during recent years in the exports of manufactures reflects this adaptability and enterprise, and the equally large decreases in the exports of raw and semi-finished materials foreshadow the desirability of continued effort along the line of manufactured exports, if we would continue to hold the theoretically favorable balance of trade.

The subjects that are appropriate and germane to consider in order to accomplish the desire of this Convention, to stimulate both the domestic and the export trade, as each is dependent upon and a complement of the other, are so numerous and of such wide importance that, necessarily, we can only hope to cover at this meeting those of the most significant importance. It has been thought by the Committee on Plan and Scope that, after we consider the commercial conditions of the United States, it is proper to consider how our foreign trade has been or may be affected by legislation in this country and by foreign governments. It is also desired to consider methods of financing our production for foreign trade, to consider what effect the tariffs of this and foreign countries may have on

the upbuilding of this one great national necessity, increased exports, to consider the position of the distributing, forwarding, and commission merchants as allies and intermediaries between the manufacturers and foreign consumers, to develop the importance of this foreign trade to our railways and steamship lines, to take up individually, so far as possible, the prospects and problems of business in our principal oversea markets, to invite from the Government its co-operation in its diplomatic and consular service, and by every other appropriate means further the extension of American commerce and interests abroad, and, lastly, the needed stimulation of American trade abroad by inducements to be held out to our financial interests to seek foreign loans and foreign investments.

These are some of the subjects to which your consideration will be invited and it is not beyond the reasonable bounds of hope that this great Convention of representative business men from every section of these United States, wielding with their capital and resources and individual efforts an influence which, in the aggregate, has not yet been sufficiently realized, can to a large extent determine the future destiny of this country as a world power with respect to its foreign trade. It is essential that we should act as a unit in all matters to accomplish those great purposes which can only be effected by co-operation and concerted action, and it may be hoped that the outgrowth of this initial Convention will be the close co-operation of the manufacturers and producers, merchants, transportation and financial interests of our country and of our Government in a unified effort for the upbuilding of American industries for the conserving and exploitation of American manufacture and production to the common betterment of our domestic and export commerce.

You gentlemen who are interested in the development of foreign trade are performing a great work in the advancement of peace and civilization, for the good-will established by better acquaintance with foreign customers and satisfactory methods of dealing must redound not only to the benefit of the individuals and firms interested, but to the prestige of our country.

The commercial world is watching our consular service and the efforts of our Government to keep this most important branch of our

foreign representation on a merit and business basis. They will not forget that this service remains the one organized expression of our country in the stupendous economic contests which are now engaging the nations of the world in competition. The commercial interests of the United States should support and fortify in every possible manner the splendid work of the Secretary of Commerce, and other departments of the Government, in their efforts to maintain and improve this branch of our Government service.

In the struggle for the trade of the world, the United States will occupy the place for which the bountiful resources of nature and the efficiency of the people have equipped her. The intelligence, enterprise, and co-operation of the people and Government will be applied to maintain and strengthen her position.

MSH # 22914

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TITLE